

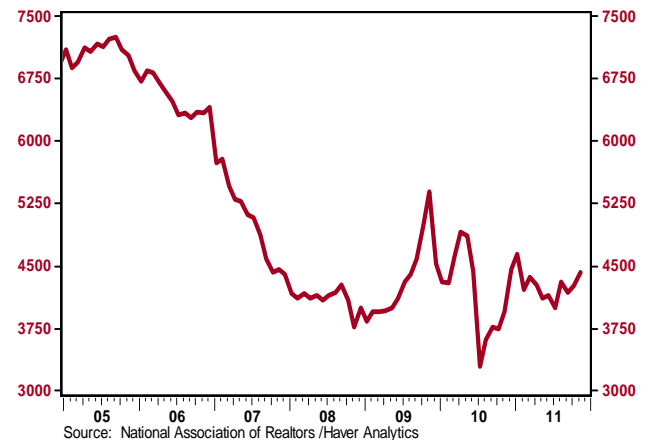
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November Existing Home Sales

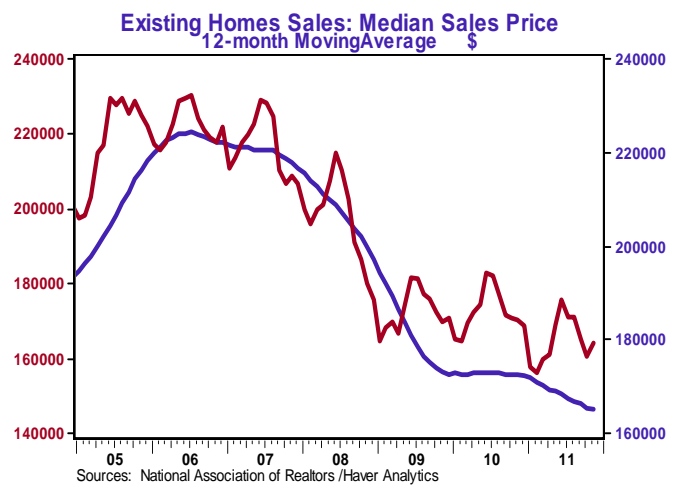
- Existing home sales increased 4.0% in November to an annual rate of 4.42 million units, well below the consensus expected pace of 5.05 million units. Existing home sales are up 12.2% versus a year ago.
- Sales in November were up in all major regions of the country. All of the increase in overall sales was due to single-family homes; sales of condos/coops were unchanged for the month.
- The median price of an existing home rose to \$164,200 in November (not seasonally adjusted), and is down 3.5% versus a year ago. Average prices are also down 3.5% versus last year.
- The months' supply of existing homes (how long it would take to sell the entire inventory at the current sales rate) fell to 7.0 in November from 7.7 last month. The decline in the months' supply was due to both a faster pace of sales and a drop in the inventory of homes for sale.

Implications: The big headline on existing homes is that sales were revised down 14 percent for the past few years because the National Association of Realtors made mistakes that apparently resulted in double counting. These revisions were well publicized, so it is strange that so many forecasters (but not First Trust) ignored this and continued to predict more than 5 million sales. So, while sales fell about 12 percent below consensus, the data also show that sales were up 4% in November and 12% from a year ago. Meanwhile the inventory of homes is down 18% versus last year and at the lowest level since 2005. This resulted in a 7 months' supply of unsold homes, the lowest since 2009. The healing in the housing market is further along than previously thought. The pessimistic narrative you may hear elsewhere about how bad today's report was and how ugly the revisions were is simply not true. Reported existing home sales never fell by as much as new home sales or home building the last few years. So, today's revisions fix the problem caused by over counting. In addition, existing home sales only measure a shift in assets from a buyer to a seller. They do not count as current production and will have no impact on our GDP forecast. As the inventory of existing homes continues to be whittled down, we expect a steady recovery in the housing market.

NAR Total Existing Home Sales, United States
 SAAR, Thous



Existing Homes Sales: Median Sales Price



Existing Home Sales	Nov-11		Oct-11	Sep-11	3-month	6-month	Yr to Yr
	%Ch.	level					
<i>Seasonally Adjusted Unless Noted, Levels in Thous.</i>							
Existing Home Sales	4.0%	4420	4250	4190	4287	4220	12.2
Northeast	9.8%	560	510	540	537	527	7.7
Midwest	4.3%	960	920	910	930	915	15.7
South	2.4%	1740	1700	1670	1703	1677	12.3
West	3.6%	1160	1120	1070	1117	1102	11.5
Median Sales Price (\$, NSA)	2.1%	164200	160800	165300	163433	168050	-3.5

Source: National Association of Realtors